

Message Text

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PAGE 01 PEKING 00396 100443Z

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ACTION EB-07

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TO SECSTATE WASHDC 3349

INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ENRG, ETRD, CH, US

SUBJECT: MOBIL OIL CONTRACT TO BUNKER PRC SHIPS

REF: 1974 STATE 38074; 1974 HONG KONG 3667; HONG KONG 371

1. MOBIL OIL HAS CONCLUDED SEPARATE AGREEMENTS IN PEKING WITH THE CHINA OCEAN SHIPPING CORPORATION (COSCO) TO SUPPLY BUNKERS AND MARINE LUBRICANTS TO THE PRC. ACCORDING TO MOBIL SALES AND SUPPLY CORPORATION VICE PRESIDENT W. J. YOPP, THE FIRST CONTRACT CALLS FOR MOBIL TO SUPPLY 30,000 TO 40,000 HNS OF FUEL OIL VALUED AT \$3-4 MILLION FOR BUNKERING CHINESE VESSELS DURING THE COMING YEAR. BUNKERING SERVICES WILL BE PROVIDED WORLD-WIDE, BUT THE CHINESE INDICATED THEIR HEAVIEST DEMAND WOULD BE IN SINGAPORE AND THE PANAMA CANAL ZONE.

2. UNDER THE SECOND AGREEMENT, MOBIL WILL CONTINUE TO SUPPLY MARINE LUBRICANTS TO COSCO AS THEY HAVE DURING THE PAST YEAR. YOPP TOLD USLO OFFICERS THAT THE CONTRACT SPECIFIED ONLY THE PRICE PER BARREL AND DOES NOT COMMIT THE CHINESE TO PURCHASE A GIVEN AMOUNT. YOPP WAS UNCERTAIN HOW MANY BARRELS COSCO MIGHT REQUIRE AND SO THE TOTAL VALUE OF THE SALE WILL NOT BE KNOWN UNTIL THE CONTRACT IS CONCLUDED NEXT YEAR.

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3. ALTHOUGH YOPP IS BASED IN THE U.S., THE CONTRACTS WERE ACTUALLY SIGNED BY A REP OF MOBIL'S HONG KONG OFFICE WHICH HAS PRIMARY RESPONSIBILITY FOR THE FIRM'S DEALINGS WITH CHINA. EARLIER MOBIL PURCHASED 180,000 TONS OF PRC REFINED PETROLEUM PRODUCTS (DIESEL FUEL AND KEROSENE) THROUGH ITS HONG KONG BRANCH FOR SALE IN THE COLONY. YOPP ALSO SAID MOBIL HAS OFFERED TO PURCHASE CHINESE CRUDE, BUT TO DATE NONE HAS BEEN OFFERED TO HIS FIRM.

4. MOBIL IS THE THIRD US OIL COMPANY (OTHERS ARE GULF AND EXXON) TO SUPPLY BUNKERING FOR PRC SHIPS. WHEN ASKED ABOUT CHINA'S POSSIBLE REASONS FOR DEALING WITH MORE THAN ONE US FIRM, YOPP SAID HE BELIEVES THE CHINESE WISH TO ENSURE AN ADEQUATE SUPPLY OF FUEL IN THE EVENT OF A REPEAT OF LAST YEAR'S OIL CRISIS. DURING THE HEIGHT OF THE ENERGY CRISIS, YOPP SAID, SHIPPERS WHO HAD EXCLUSIVE ARRANGMENTS WITH ONE OIL COMPANY WERE OFTEN LEFT WITHOUT ALTERNATIVE SOURCES OF SUPPLY.

5. INFORMATION CONTAINED IN THIS MESSAGE IS COMMERCIALLY SENSITIVE.
BUSH

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